



TOPICS

- 4 Return to Title IV Policy (R2T4)
- 4 Compliance Audit/Financial Statements
- 4 90/10 Rule
- 4 Incentive Payments (Commissioned Sales)
- 4 Eligibility Notifications/Approvals
- 4 Clock/Credit Hour Conversion
- 4 Cash Management

TOPICS

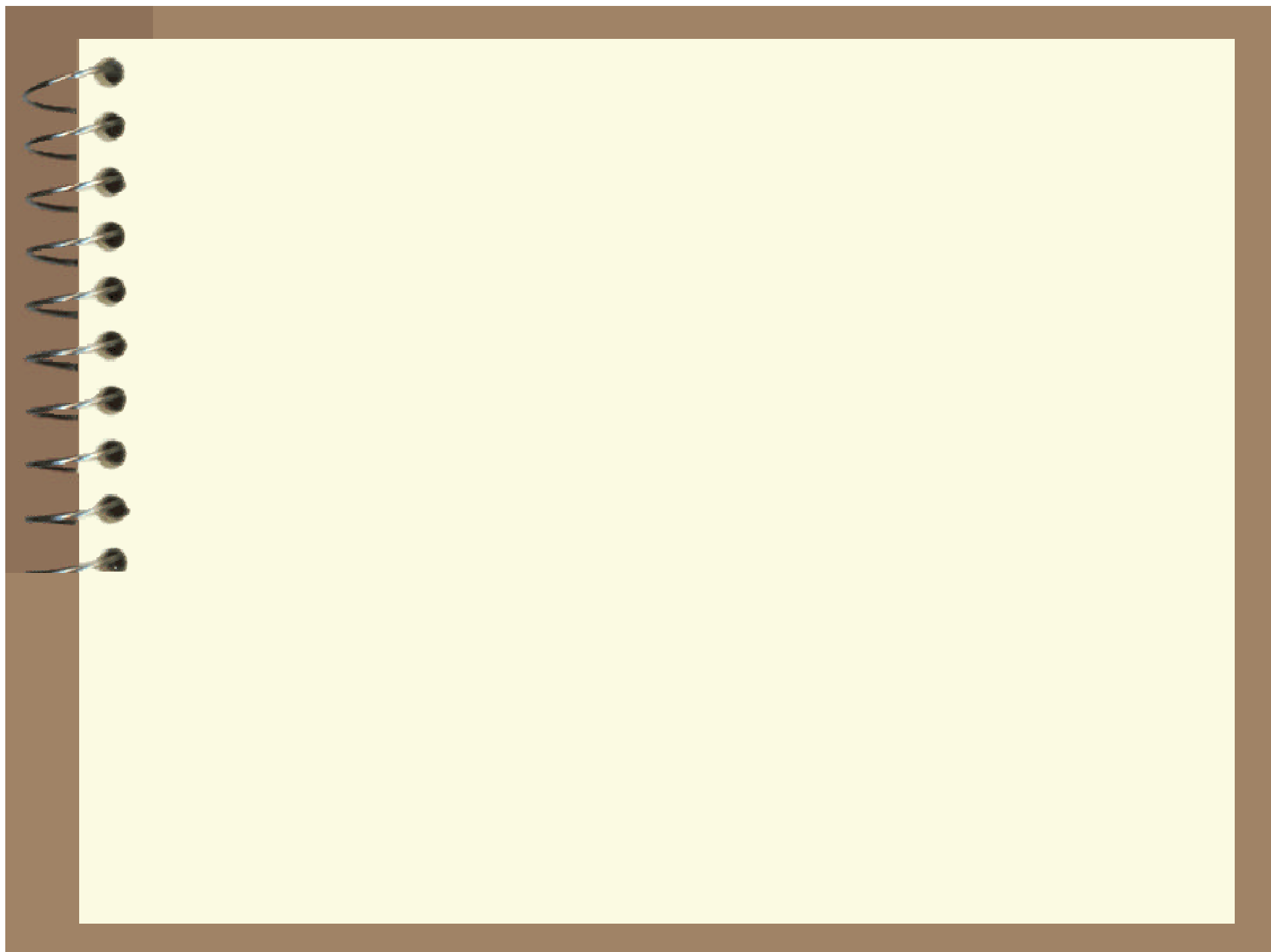
- 4 Ability-to-Benefit (ATB tests)
- 4 Verification/Conflicting Documentation
- 4 Satisfactory Academic Progress Policy (SAP)

Return to Title IV Policy (R2T4)

- 4 Effective October 7, 2000
- 4 New written policy explaining R2T4
(including official withdrawal procedures)
- 4 Unofficial withdrawal procedures
- 4 Explain all other refund policies (state,
institutional, accrediting, etc.)
- 4 Ability to identify withdrawn students
- 4 Calculations performed properly (optional
Department worksheets and software)
- 4 Downside adjustments reported to Dept.

Return to Title IV Policy (R2T4)

- 4 Was money returned? (offset, elec. refund, check)
- 4 Timeframes
- 4 Institutional costs
 - If a school calculates a return based upon payment periods, but charges for the entire program upfront, then the costs used in the calculation would be the greater of:
 - the prorated amount of charges for the payment period; OR
 - the amount of IV funds retained for institutional charges as of the student's withdrawal date



Compliance Audits & Financial Statements

- 4 All proprietary schools must have an independent auditor (CPA) conduct, at least once a year, a compliance audit with regards to the school's administration of the IV programs and a financial statement audit
- 4 Both audits must be based on a fiscal year basis and prepared in accordance with Generally Accepted Government Auditing Standards (GAGAS)

Compliance Audits & Financial Statements

4 Both audits must be submitted simultaneously within 6 months of the end of the school's fiscal year.

Four copies must be sent to:

By U.S. Postal Service

U.S. Dept. of Education
Case Mang. & Oversight
PO Box 44805
L'Enfant Plaza Station
Washington, DC 20026-4805

Overnight mail/courier

U.S. Department of Education
Case Mang. & Oversight
7th and D Streets, S.W.
GSA Building, Room 5643
Washington, DC 20407

Compliance Audits & Financial Statements

4 Annual audit submission waiver

- effective July 1, 2000
- allows for an audit to be submitted for a two or three year period
- need Department approval
- must meet specific criteria (less than \$200,000 in IV disbursed, post 10% Letter of Credit, etc.)
- at the end of the waiver, must submit a compliance audit covering the entire waiver period and a financial statement for the last fiscal year of the waiver period

Compliance Audits & Financial Statements

Compliance Audit/Final Audit Determination Letter

- findings, references, required actions, corrective action plans

Financial Statements

- 3 ratios (primary reserve, equity, and net income)
- minimum composite score is 1.5
- 1.0-1.4 in the Zone (alternative requirements)
- Gen-01-02: explains the Department's calculation of the primary reserve and what is considered "debt obtained for long-term purposes"
- 668 Appendix F (ratio methodology, proprietary)

Audit/Financial Statement- References

4 www.ed.gov/offices/OIG/nonfed

- January 2000 Audit Guide, supplements

4 www.ifap.ed.gov

- 2000-2001 SFA Handbook, Institutional Eligibility Section, pages 264-272
- 1999 Blue Book
- 668.15 & 668.171-175 (financial responsibility)
- 668.23 (audits&F/S); 668.27 (waiver)

4 OIG office (audit issues)

- Jim Burley (214) 880-3031

90/10 Rule

(formerly 85/15)

4 To be eligible for SFA participation, a proprietary institution may derive no more than 90% of its revenues from the SFA Programs

4 Use formula specified in 34 CFR 600.5:

Title IV funds used for tuition, fees, and other charges

Total revenues from tuition, fees and other charges for students enrolled in **eligible programs**, plus other incurred costs that were necessary for students in **eligible programs**

4 disclose in a footnote to its audited financial statements the percentage (including figures used) of its revenues derived from Title IV funds

90/10 Rule

- 4 Calculation is based on the **cash basis of accounting** (all revenue is recognized when received, i.e. when there is an inflow of cash)
- 4 Institutional loans are only recognized as cash revenue when those loans are repaid
- 4 Institutional scholarships are not revenues generated by the school (unless they are donated by an unrelated or outside third party)
 - tuition waivers do not count as revenue

90/10 Rule

NOTE:

For financial statements submitted prior to July 1, 2000, the Dept. does not expect to use its enforcement authority, absent unusual circumstances, against schools using valid institutional loans and scholarships, solely on the decision that they do not comply with cash basis accounting standards

90/10 Rule

4 Schools that fail to satisfy the 90/10 rule lose their IV eligibility on the last day of that fiscal year (must report to the Dept. within 90 days of the end of the fiscal year)

- notify the Dept. at the addresses used for compliance and financial statement audits
- (202) 205-1936

4 References

- 2000-2001 SFA Handbook, Insti. Elig. Section, pages 8-11; January 2000 Audit Guide; Dear Partner Letter - Gen-99-33; CPA Letters - CPA-99-01, CPA-99-02

Incentive Payments

Sec. 487(a)(20); 34 CFR 668.14(b)(22)

By entering into this program participation agreement (PPA), an institution agrees that...it will not provide, nor contract with any entity that provides, any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any persons or entities engaged in any student recruiting or admission activities or in making decisions regarding the awarding of student financial assistance...

Incentive Payments

Federal Register April 29, 1994, preamble

4 Exceptions:

- recruitment of foreign students residing in foreign countries who are not IV eligible
- token gifts (provided only once) to students or alumni for referring students; cannot be in the form of money and cannot exceed \$25 in value.

4 Schools can base employee salaries on merit, IF

- offered only once a year
- can only be an upward adjustment
- compensation cannot solely be a function of the number of students recruited, admitted, enrolled or awarded financial aid.

Eligibility

Notifications/Approvals

- 4 Changes NOT requiring Dept.'s written approval
 - School name, personnel, address, 3rd party servicer, program criteria, length of program, etc.
- 4 Notify the Department of the change via the electronic application within 10 calendar days of the change and send -
 - any required supporting documentation - including accrediting agency and state agency approvals
 - President/CEO signature (Section L)

Eligibility

Notifications/Approvals

- 4 Changes REQUIRING Dept.'s written approval
 - accrediting/state authorizing agency, institutional structure, to clock or credit hours, addition of nondegree programs outside of the scope of current approval, ownership, SFA programs, etc.
- 4 Notify the Department of the change via the electronic application within 10 calendar days of the change and send -
 - any required supporting documentation - including accrediting agency and state agency approvals

Eligibility Notifications/Approvals

NPRM dated August 10, 2000

Final November 1, 2000

EFFECTIVE 7/1/2001

Additional Locations

- 4 ALL institutions must report to the Department if they wish to add an additional location offering 50% or more of an eligible program
 - reporting consists of submitting electronic application and required supporting documentation
- 4 *However, only schools that meet certain criteria have to wait for our approval before disbursing IV aid to students at those locations (simply have to report to the Department prior to disbursing aid)*

Eligibility Notifications/Approvals

Additional Locations

4 Schools required to wait for approval before disbursing IV aid include:

- provisionally certified
- reimbursement/cash monitoring
- acquired assets of another school that provided education at that location during the preceding year, and the other school participated in IV.
- would be subject to loss of eligibility due to default rates if location is added
- Secretary previously notified school that it must apply for approval of additional locations

Eligibility Notifications/Approvals

References

- 4 www.eligcert.ed.gov (electronic application)
- 4 2000-2001 SFA Handbook, Institutional Eligibility Section, chapter 10, pages 249-255
- 4 Dear Partner Letter - GEN-97-6
- 4 34 CFR 600.10
- 4 34 CFR 600.20-21
- 4 34CFR 600.30-31

Clock/Credit Hour Conversion

668.8(k)(1)

(00/01 SFA Hdbk, Institutional Section, page 19-20)

4 1 semester or trimester credit hour must include at least 30 hours of instruction

4 1 quarter credit hour must include at least 20 hours of instruction

Example:

- 900 clock hours = 30 semester hours

30

- 1500 clock hours = 75 quarter hours

20

Clock/Credit Hour Conversion

4 Applies to undergraduate vocational education programs

Exceptions:

- (1) program is at least 2 academic years in length and provides an associate, bachelor's or professional degree **OR**
- (2) each course within the program is acceptable for full credit towards that institution's associate, bachelor's or professional degree **OR**
- (3) a public or private nonprofit hospital-based school of nursing that awards a diploma at the completion of the school's program of education

Clock/Credit Hour Conversion

(1) Program eligibility

- program providing at least 16 semester or trimester credit hours or 24 quarter credit hours must include at least 480 clock hours of instruction (at least 15 weeks in length)

(2) Number of credit hours for Title IV purposes

- determine number of credit hours you can pay a student for (conversion credit hours may be less than original number - may decrease Title IV funding)

4 The resulting number of credit hours may not be rounded upward.

Clock/Credit Hour Conversion

- 4 A clock hour is based on an actual hour of attendance (60-minute period), though each hour may include a 10-minute break.
- 4 A school may not schedule several hours of instruction without breaks, and then count clock hours in 50-minute increments
 - cannot say 7 hours of instruction = 8.4 clock hours (420 minutes divided by 50 minutes = 8.4)
 - 7 real-time attendance hours = 7 clock hours

Cash Management

- 4 Bank account notification (“federal funds”)
- 4 Interest bearing (<\$250; Perkins)
- 4 Early/late disbursements
- 4 Credit balances
- 4 Required school notifications (i.e. holding credit balances, prior-year charges, crediting FWS funds, loan cancellations)
- 4 Excess cash (3 day rule)
- 4 Matching requirements
- 4 Reconciliation (frequency; report comparison)
- 4 Clear audit trail (drawdowns/year end totals)

Cash Management - References

- 4 2000-2001 SFA Handbook, Institutional Eligibility Section, chapter 5, pages 65-85
- 4 1999 Blue Book
- 4 January 2000 Audit Guide
- 4 34 CFR 668.161-167 (subpart K)

Ability-to-Benefit Tests (ATB)

ü Test Administrators

- Independent (no affiliation with school or personnel)
- certified by test publisher
- publisher scores test

ü Approved Tests (scale scores)

- must be administered in accordance with procedures set by publisher (retest, time limits, etc.)
- official test scores are valid for 12 months from testing

ü Documentation

- type of test, date taken, scores, test administrator info.

ATB - References

- 4 2000-2001 SFA Handbook, Student Eligibility Section, Pages 17-20
- 4 34 CFR 668.141-156 (Subpart J)
- 4 Federal Register 5/5/1999
 - students with disabilities
- 4 Federal Register 1/12/2001
 - English as a Second Language

Verification/Conflicting Documentation

4 Verification items

- Household size
- Number enrolled in college
- Adjusted Gross Income (AGI)
- U.S. income tax paid
- Certain untaxed income and benefits (social security benefits, child support, EIC, IRA/Keogh deductions, foreign income exclusion, interest on tax-free bonds)

Verification/Conflicting Documentation

4 Conflicting documentation (668.16(f))

- adequate system to resolve discrepancies in the information received from different sources with respect to a student's application for IV financial aid.

4 Problems/Issues

- missing documentation
- missing signatures
- 30% verification not met
- ISIR not reprocessed

Verification - References

- 4 2000-2001 SFA Handbook, Student Eligibility Section, chapter 8, pages 179-204
- 4 2000-2001 Verification worksheets (optional)
- 4 34 CFR 668.36 (social security number)
- 4 34 CFR 668.51-61 (subpart E)
- 4 Dear Partner Letter - GEN-01-03
 - Guide to 2001-2002 ISIRs

Satisfactory Academic Progress Policy (SAP)

00-01 SFA Hdbk., Student Elig. Section, pages 20-24

34 CFR 668.16(e); 668.32(f); 668.34

- 4 develop, publish and monitor SAP policy
- 4 as strict or stricter than non-IV students
- 4 applied consistently to all students within categories
- 4 contain all required components:
 - qualitative measure (GPA)
 - quantitative measure (maximum time frame)
 - appeal procedures
 - reinstatement of eligibility
 - probationary periods (optional)
 - class completion issues (remedial courses, etc.)



Case Management Teams



Boston Team - (617) 223-4905

(CT, MA, ME, NH, RI, VT)

New York Team - (212) 264-4022

(NJ, NY, PR, VI, and foreign schools)

Philadelphia Team - (215) 656-6442

(DE, DC, MD, PA, VA, WV)

Atlanta Team - (404) 562-6316

David Bartnicki - (404) 562-6290

(AL, GA, FL, MS, SC, NC)

Chicago Team - (312) 886-8767

(IL, MN, OH, WI)

Dallas Team - (214) 880-3044

(AR, LA, NM, OK, TX)

Kansas City Team - (816) 880-4053

(IA, KS, KY, MO, NE, TN)

Denver Team - (303) 844-3677

(CO, MI, MT, ND, SD, UT, WY)

San Francisco Team - (415) 556-4295

(AZ, CA, HI, NV, and Pacific Islands)

Seattle Team - 206-615-2594

(temporary)

(AK, ID, IN, OR, WA)

